

Service Date: November 25, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)
Of PACIFIC POWER & LIGHT COMPANY,)
for Residential Service Experi-) UTILITY DIVISION
mental Clean Air/Winter Saver) DOCKET NO. 86.11.61
Residential Service Rates.) INTERIM ORDER NO. 5235
_____)

FINDINGS OF FACT

1. On October 10, 1986, Pacific Power and Light (PP&L) filed with the Montana Public Service Commission (PSC) an application for authority to implement an Experimental Clean Air/Winter Saver Residential Service rate (ECA rate). This rate is an optional rate to the otherwise applicable Residential Service rate.

2. As originally filed, PP&L's ECA rate features the following prices. First, the commodity price (c/kwh) is set equal to 50 percent of the otherwise applicable residential winter tail-block price which currently equals 5.144c/kwh (see Residential Service Schedule 7 approved July 15, 1986 per Docket No. 85.10.41). This discount only applies to increased consumption in excess of consumption in the corresponding Base Period monthly billing. If the tail-block price changes e.g., due to an interim rate change, so will the ECA commodity price.

3. Second, corresponding with the above discount to the commodity price, PP&L proposed an increased Basic Charge of \$5.00/Month which is in addition to, and not in lieu of, the \$4.00 Basic Charge on the otherwise applicable Residential

Service rate.

4. In summary of the following discussion, the PSC approves, on an interim basis, the ECA filing. The PSC's interim approval is conditional on changes to certain aspects of the filing as set forth below. Following a discussion of changes, the PSC will indicate how it intends to address concerns it has with the ECA.

5. First, the PSC requires the ECA to be limited to residential customers currently served by PP&L who can utilize wood (or coal) and electricity as primary sources of space heat. As a result, customers that currently burn gas, propane etc., are excluded. This change is required due to the PSC's understanding of PP&L's intent in filing the ECA rate which is to improve the quality of the air shed in PP&L's Montana jurisdiction.

6. With regard to the broader social concerns involved in the Clean Air rate, the PSC would only note that it is the utility's relevant system costs, relative to the 50 percent discounted price, that led to an interim approval. For example, the PSC would not approve an ECA rate below marginal cost even if the air shed were improved as a result. A more appropriate name for the "Clean Air" rate, given PP&L's initial intent to not restrict to wood and coal burners, may have been an "incentive" rate similar to Montana Power Company's Electric Economic Incentive (EEI) rate which was filed earlier this year and which had as one objective the reduction of MPC's energy surplus. While the ECI and the ECA are not identical rates, the PSC also approved on an interim basis and subject to certain restrictions, MPC's EEI rate.

7. The second change the PSC requires is that no customer

receive additional discounts, to the commodity price, over and above the 50 percent discount featured in this ECA filing. For example, PP&L's employees receive a 33 percent discount on their bills. Such a discount will not be allowed by the PSC on top of or before the 50 percent discount. Absent this provision, PP&L's employees could receive a commodity price that falls below marginal cost.

8. In addition to the above, the PSC also wishes to express its concerns with the ECA's impact on Montana customers' revenue requirements. Since the overall effects of this rate will not be determined until after the experiment is over, the PSC finds that this interim order must include certain safeguards to prevent potential detrimental effects on ratepayers. Since the Company proposed this rate of its own accord, the financial risk must lie with the Company's stockholders. Therefore, the following requirements of the ECA rate are approved in this interim order:

a) All losses incurred during the experimental rate period that are associated with the ECA rate must be borne by PP&L's stockholders;

b) The Company must keep detailed track of all revenues and expenses incurred during the experimental rate period that are associated with the ECA rate and provide the PSC with this information at the end of the experiment;

c) At the end of the experimental rate period, PP&L must provide the PSC with detailed information concerning any capital investments made by PP&L that were directly or indirectly related to the ECA rate; and

d) At the end of the experimental rate period, PP&L must

provide the PSC with detailed analysis showing the effect of both including and excluding the results/effects of the experimental rate (including a loads and resources study and Production Cost Model) in the next general rate case filed.

9. PP&L shall take all steps necessary to emphasize to the ratepayer the temporary nature of the ECA rate. In approving this rate, it is not the Commission's intention to promote permanent changes in consumption habits.

10. With the above changes and expressed concerns the PSC approves, on an interim basis, PP&L's ECA rate proposal. The forum in which the PSC will finally act on the ECA rate proposal will very likely be PP&L's next general rate case that the Company has suggested will be filed in late 1986.

11. In whatever forum is used to finally consider the ECA filing, PP&L is admonished that, the PSC intends to examine in detail the cost and revenue implications of the ECA filing.

CONCLUSIONS OF LAW

1. The Applicant, Pacific Power & Light Co., furnishes electric service to consumers in Montana, and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The Commission may, in its discretion, temporarily approve increases or decreases pending a hearing or final decision. Section 69-3-304, MCA.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION HEREBY ORDERS THAT:

1. The Commission approves, on an interim basis, PP&L's Clean Air Rate filing conditional upon a mutual agreement and understanding of the Findings of Fact entered by the Commission in this Interim Order.

2. Nothing in this interim order precludes the Commission from denying in its final order, after reviewing the entire record in this docket, final approval of the proposed rate.

3. The interim approval granted in this order is effective November , 1986.

DONE IN OPEN SESSION at Helena, Montana this 24th day of November, 1986 by a 4 to 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner
Dissenting

ATTEST:

Ann Purcell Acting Secretary
(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider

must be filed within ten (10) days. See 38.2.4806,
ARM.